

Message Text

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PAGE 01 CARACA 04947 312307Z

71

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FM AMEMBASSY CARACAS
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SUBJECT: VIEWS OF AMBASSADOR SOSA RODRIGUEZ ON NEW VENEZUELAN
ECONOMIC PROGRAM

1. FORMER AMBASSADOR SOSA RODRIGUEZ LUNCHEONED WITH ME TODAY. HE HAD PREVIOUSLY DECLINED THE INVITATION BECAUSE HE SAID THERE HAS BEEN AN INFORMAL ARRANGEMENT SINCE THE INAUGURATION OF PRESIDENT PEREZ FOR PARTY LEADERS OF BOTH AD AND COPEI PLUS A FEW "INDEPENDENTS" TO LUNCH PERIODICALLY TO DISCUSS THE STATE OF THE NATION. HOWEVER, HE FRANKLY ADMITTED THAT THE TWO PARTIES WERE SO MUCH IN ADVERSE A SITUATION THAT TODAY'S LUNCHEON WAS CALLED OFF AND THAT HE AS THE REMAINING "INDEPENDENT" WAS FREE TO TAKE A MEAL WITH ME.

2. AMBASSADOR SOSA SAID, "WITH REGARD TO US OIL AND IRON INTERESTS IN VENEZUELA, YOU HAVE NO, REPAT NO, WORRIES AT ALL. THE GOVERNMENT IS DISPOSED TO NEGOTIATE WITH THE COMPANIES AND WE REALIZE THAT IT WILL BE TO THE MUTUAL BENEFIT OF VENEZUELA AND THE UNITED STATES IF EQUITABLE ARRANGEMENTS ARE ARRIVED AT FOR THE CONTINUING SHIPMENT OF OIL AND IRON TO THE US ON TERMS SATISFACTORY NOT ONLY TO THE GOV BUT TO THE US COMPANIES."

3. ON THE QUESTION OF THE APPLICATION OF DECISION 24 OF THE ANDEAN PACT TO SUCH US INTERESTS AS SEARS ROEBUCK AND IBEC, AMBASSADOR SOSA WAS MORE VAGUE BUT NOT INTENTIONALLY EVASIVE. HE WAS FAR
SECRET

SECRET

PAGE 02 CARACA 04947 312307Z

MORE CONCERNED WITH THE INTERNAL INFLATIONARY IMPACT ON THE

VENEZUELAN ECONOMY OF THE MEASURES EITHER ALREADY DECREED OR ABOUT TO BE DECREED RELATING TO THE INCREASE IN WAGES, LIMITS ON PRICES AND LIMITS ON CREDIT. IN SOSA'S VIEW, THESE MEASURES WOULD BE INEVITABLY INFLATIONARY AND, IN HIS OPINION, MORE DANGEROUSLY REQUISITE OF AN EVER-INCREASING GOVERNMENTAL CONTROL SYSTEM FOR WHICH HE THOUGHT VENEZUELA LACKED EITHER THE KNOWLEDGE OR PERSONNEL FOR APPLICATION. HE SAID, "WITHIN EIGHTEEN MONTHS YOU WILL FIND TROUBLE IN THIS COUNTRY AS VENEZUELAN INDUSTRIES AND COMPANIES FIND THEMSELVES UNABLE TO MEET WITH THE DEMANDS OF GOVERNMENTAL DECREES; AND THE PROBABLE TENDENCY OF THE MAN WHO IS RUNNING THE ECONOMY, NAMELY, GUMERSINDO RODRIGUEZ, WILL BE TO TRY TO IMPOSE A GREATER MEASURE OF GOVERNMENTAL CONTROL WITHOUT THE PERSONNEL ASSETS OR PERHAPS KNOWLEDGE NECESSARY TO MAKE SUCH CONTROLS SUCCESSFUL."

4. SOSA SAID THAT IF THINGS SHOULD COME TO SUCH A PASS THAT THE ELECTORATE BECAME RESTIVE OVER THE SITUATION HE PREDICTED, THEN THERE MIGHT ENSUE A LENGTHY POLITICAL QUARREL BETWEEN THE COPEI PARTY AND THE ADECO PARTY WITH ALWAYS IN THE BACKGROUND THE POSSIBILITY OF A MILITARY TAKE-OVER FROM SHEER IGNORANCE OF WHAT TO DO BUT WITH A CERTAIN KNOWLEDGE THAT MATTERS WERE GOING FROM BAD TO WORSE. THIS, SAID AMBASSADOR SOSA, "WOULD PUT US BACK A QUARTER OF A CENTURY."

5. COMMENT: I DO NOT THINK THAT MY FRIEND SOSA WAS DELIBERATELY TRYING TO PAINT TOO DARK A PICTURE ALTHOUGH AS WE KNOW HIS SYMPATHIES HAVE BEEN WITH THE COPEI PARTY. IN FACT, I AM HOPEFUL THAT HIS RATHER DIM VIEW OF THE FUTURE MAY BE ENLIGHTENED BY THE PRACTICAL POLITICAL GOOD SENSE OF PRESIDENT CARLOS ANDRES PEREZ. I AM FURTHERMORE ENCOURAGED IN THIS VIEW BY THE FACT THAT PEREZ DOES HAVE OTHER ADVISERS THAN GUMERSINDO RODRIGUEZ, OF WHOM PROBABLY THE MOST IMPORTANT IS PEREZ GUERRERO.

6. IN PASSING, AMBASSADOR SOSA SAID HE HAD SPENT A LARGE PART OF YESTERDAY MORNING WITH MINISTER OF FINANCE HURTADO AND HAD TOLD HIM THAT, IF, AS ANNOUNCED IN THIS MORNING'S PAPERS, NEXT YEAR'S NATIONAL BUDGET WILL TOTAL BS 34 MILLION (\$7.9 BILLION), IT WAS DIFFICULT TO SEE HOW HURTADO COULD CARRY OUT THE PROGRAM HE ANNOUNCED TO TREASURY SECRETARY SHULTZ OF SIPHONING OFF HALF OF VENEZUELA'S NEW-FOUND OIL REVENUES INTO

SECRET

SECRET

PAGE 03 CARACA 04947 312307Z

INVESTMENTS ABROAD. IN OTHER WORDS, AMBASSADOR SOSA THOUGHT THAT VENEZUELA WAS IN A PRICE-WAGE SPIRAL INDUCED BY GOVERNMENT DECREE AND THAT IT WOULD SOON ENCOUNTER THE EFFECTS OF A RAPIDLY ACCELERATING INFLATION. HOWEVER, SO FAR AS US INTERESTS ARE CONCERNED, OUR INVESTMENTS HERE WILL BE NO WORSE OFF THAN LOCAL VENEZUELAN INVESTMENTS AND, IN HIS OPINION (WITH WHICH I CONCUR), THE GOVERNMENT IS ENTIRELY OPEN TO AN EQUITABLE NEGOTIATION WITH OUR OIL AND IRON COMPANIES.

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